

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
JUNE 30, 2010 AND 2009**

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**OFFICIALS  
JUNE 30, 2010**

| <b>Name</b>        | <b>Position</b>      | <b>Term<br/>Expires</b> | <b>Insurance<br/>Coverage</b> |
|--------------------|----------------------|-------------------------|-------------------------------|
| Richard Kohler     | Chairman             | 12/31/14                | \$ 10,000                     |
| Phil Cannon        | Trustee              | 12/31/16                | 10,000                        |
| Lynne Don Carlos   | Trustee              | 12/31/12                | 10,000                        |
| <br>Duane Armstead | <br>General Manager  |                         | <br>10,000                    |
| Rebecca Haase      | City Clerk/Treasurer |                         | 40,000                        |

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## INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities  
Electric System  
Greenfield, Iowa

We have audited the accompanying statements of net assets of the Electric System, a department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of June 30, 2010 and 2009, and the related statements of revenue, expenses and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric System, a department of Greenfield Municipal Utilities, as of June 30, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2010, on our consideration of the Electric System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedules 3 and 4 which are marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenfield Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

October 25, 2010

By \_\_\_\_\_  
Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS  
JUNE 30, 2010 AND 2009**

| ASSETS                                         | 2010                | 2009                | Increase<br>(Decrease) |
|------------------------------------------------|---------------------|---------------------|------------------------|
| <b>CURRENT ASSETS:</b>                         |                     |                     |                        |
| Cash and Equivalents                           | \$ 301,371          | \$ 492,979          | \$ (191,608)           |
| Investment in Certificates of Deposit          | 400,000             | 600,000             | (200,000)              |
| Accounts Receivable - Customers                | 390,918             | 368,232             | 22,686                 |
| Inventories - Materials and Supplies           | 387,934             | 387,386             | 548                    |
| Patronage Dividend Receivable                  | 28,154              | 19,586              | 8,568                  |
| Accrued Interest Receivable                    | 4,388               | 5,239               | (851)                  |
| Prepaid Insurance                              | 16,185              | 18,155              | (1,970)                |
| Deferred Bond Issue Costs, Net of Amortization | 7,797               | 6,881               | 916                    |
| Total Current Assets                           | 1,536,747           | 1,898,458           | (361,711)              |
| <b>RESTRICTED ASSETS:</b>                      |                     |                     |                        |
| Cash for Revenue Debt Payoff                   | 1,267,343           | -                   | 1,267,343              |
| Investment in Certificates of Deposit          | 614,161             | 514,161             | 100,000                |
| Investment in Debt Reserves Held by SIMECA     | 252,388             | 249,681             | 2,707                  |
| Total Restricted Assets                        | 2,133,892           | 763,842             | 1,370,050              |
| <b>PROPERTY AND EQUIPMENT:</b>                 |                     |                     |                        |
| Production Plant                               | 4,033,081           | 4,045,269           | (12,188)               |
| Transmission System                            | 109,195             | 118,312             | (9,117)                |
| Distribution System                            | 4,969,754           | 4,967,054           | 2,700                  |
| Vehicles, Tools and Equipment                  | 455,981             | 453,276             | 2,705                  |
| Total Cost                                     | 9,568,011           | 9,583,911           | (15,900)               |
| Accumulated Depreciation                       | (5,326,808)         | (5,040,216)         | (286,592)              |
| Cost Less Depreciation                         | 4,241,203           | 4,543,695           | (302,492)              |
| Construction in Progress                       | 49,068              | -                   | 49,068                 |
| Total Property and Equipment, Net              | 4,290,271           | 4,543,695           | (253,424)              |
| <b>OTHER NONCURRENT ASSETS:</b>                |                     |                     |                        |
| Patronage Dividend Receivable                  | 225,885             | 240,997             | (15,112)               |
| Deferred Bond Issue Costs, Net of Amortization | 28,465              | 9,205               | 19,260                 |
| Total Other Noncurrent Assets                  | 254,350             | 250,202             | 4,148                  |
|                                                | <u>\$ 8,215,260</u> | <u>\$ 7,456,197</u> | <u>\$ 759,063</u>      |

(Continued)

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS  
JUNE 30, 2010 AND 2009**

| LIABILITIES                                     | 2010                | 2009                | Increase<br>(Decrease) |
|-------------------------------------------------|---------------------|---------------------|------------------------|
| <b>CURRENT LIABILITIES:</b>                     |                     |                     |                        |
| Accounts Payable -                              |                     |                     |                        |
| Vendors and Suppliers                           | \$ 40,960           | \$ 15,848           | \$ 25,112              |
| SIMECA                                          | 227,867             | 234,180             | (6,313)                |
| Sewer Rental Collections                        | 37,181              | 37,181              | -                      |
| Sales and Use Tax Payable                       | 8,945               | 7,852               | 1,093                  |
| Accrued Liabilities -                           |                     |                     |                        |
| Salaries and Wages                              | 13,387              | 2,745               | 10,642                 |
| Compensated Absences                            | 34,612              | 35,181              | (569)                  |
| Interest                                        | 53,314              | 55,133              | (1,819)                |
| Current Portion of Long-term Debt               | <u>1,745,000</u>    | <u>331,000</u>      | <u>1,414,000</u>       |
| Total Current Liabilities                       | 2,161,266           | 719,120             | 1,442,146              |
| <br><b>NONCURRENT LIABILITIES:</b>              |                     |                     |                        |
| Revenue Bonds and Notes Payable                 | 1,955,000           | 2,355,000           | (400,000)              |
| Lease Purchase Contract Obligation              | <u>710,000</u>      | <u>810,000</u>      | <u>(100,000)</u>       |
| Total Noncurrent Liabilities                    | <u>2,665,000</u>    | <u>3,165,000</u>    | <u>(500,000)</u>       |
| Total Liabilities                               | 4,826,266           | 3,884,120           | 942,146                |
| <br><b>NET ASSETS</b>                           |                     |                     |                        |
| Invested in Capital Assets, Net of Related Debt | 1,183,876           | 1,063,782           | 120,094                |
| Restricted for Debt Covenants and Construction  | 1,053,538           | 1,052,989           | 549                    |
| Unrestricted                                    | <u>1,151,580</u>    | <u>1,455,306</u>    | <u>(303,726)</u>       |
| Total Net Assets                                | 3,388,994           | 3,572,077           | (183,083)              |
|                                                 | <u>\$ 8,215,260</u> | <u>\$ 7,456,197</u> | <u>\$ 759,063</u>      |

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

|                                          | 2010                |         | 2009                |         | Increase<br>(Decrease) |
|------------------------------------------|---------------------|---------|---------------------|---------|------------------------|
|                                          | Amount              | Percent | Amount              | Percent |                        |
| <b>OPERATING REVENUE:</b>                |                     |         |                     |         |                        |
| Residential Sales                        | \$ 888,471          | 24.5    | \$ 864,209          | 24.9    | \$ 24,262              |
| Commercial Sales                         | 807,018             | 22.2    | 779,981             | 22.5    | 27,037                 |
| Industrial Sales                         | 1,765,169           | 48.6    | 1,659,969           | 47.9    | 105,200                |
| Street Light Sales                       | 24,269              | 0.7     | 21,516              | 0.6     | 2,753                  |
| Sales to Water                           | 39,077              | 1.1     | 34,849              | 1.0     | 4,228                  |
| Sales to City                            | 43,419              | 1.2     | 42,265              | 1.2     | 1,154                  |
| Patronage Dividend                       | 23,822              | 0.7     | 27,657              | 0.8     | (3,835)                |
| Forfeited Discounts and Other            | 38,081              | 1.0     | 36,883              | 1.1     | 1,198                  |
| Total Operating Revenue                  | 3,629,326           | 100.0   | 3,467,329           | 100.0   | 161,997                |
| <b>OPERATING EXPENSES:</b>               |                     |         |                     |         |                        |
| Plant Operations                         | 137,484             | 3.8     | 72,046              | 2.1     | 65,438                 |
| Plant Maintenance                        | 47,329              | 1.3     | 48,702              | 1.4     | (1,373)                |
| Purchased Energy                         | 2,409,304           | 66.4    | 2,324,478           | 67.0    | 84,826                 |
| Distribution Operations                  | 188,557             | 5.2     | 195,899             | 5.6     | (7,342)                |
| Distribution Maintenance                 | 106,162             | 2.9     | 97,617              | 2.8     | 8,545                  |
| Accounting and Collecting                | 71,431              | 2.0     | 60,226              | 1.7     | 11,205                 |
| Administrative Expenses                  | 170,877             | 4.7     | 188,869             | 5.4     | (17,992)               |
| Refunds and Rebates                      | 42,751              | 1.2     | 37,832              | 1.1     | 4,919                  |
| Depreciation Expense                     | 310,202             | 8.5     | 298,185             | 8.6     | 12,017                 |
| Total Operating Expenses                 | 3,484,097           | 96.0    | 3,323,854           | 95.7    | 160,243                |
| Operating Earnings                       | 145,229             | 4.0     | 143,475             | 4.3     | 1,754                  |
| <b>NONOPERATING REVENUE (EXPENSES):</b>  |                     |         |                     |         |                        |
| Interest Income                          | 30,171              | 0.8     | 49,492              | 1.4     | (19,321)               |
| Disposal of Scrapped Assets              | (1,132)             | -       | (692)               | -       | (440)                  |
| Miscellaneous Income (Expense)           | 17,803              | 0.5     | (1,521)             | -       | 19,324                 |
| Interest Expense                         | (162,154)           | (4.5)   | (169,529)           | (4.9)   | 7,375                  |
| Total Nonoperating<br>Revenue (Expenses) | (115,312)           | (3.2)   | (122,250)           | (3.5)   | 6,938                  |
| Net Income Before Transfers              | 29,917              | 0.8     | 21,225              | 0.8     | 8,692                  |
| <b>TRANSFERS OUT:</b>                    |                     |         |                     |         |                        |
| Payments to City                         | (113,000)           |         | (100,000)           |         | (13,000)               |
| To Water System                          | (100,000)           |         | -                   |         | (100,000)              |
| Change in Net Assets                     | (183,083)           |         | (78,775)            |         | (104,308)              |
| Total Net Assets, Beginning              | 3,572,077           |         | 3,650,852           |         | (78,775)               |
| Total Net Assets, Ending                 | <u>\$ 3,388,994</u> |         | <u>\$ 3,572,077</u> |         | <u>\$ (183,083)</u>    |

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

|                                                                  | 2010              | 2009              |
|------------------------------------------------------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |                   |                   |
| Receipts from Customers                                          | \$ 3,570,384      | \$ 3,468,543      |
| Payments to Suppliers                                            | (2,746,733)       | (2,715,456)       |
| Payments to Employees, Wages and Benefits                        | (395,771)         | (343,894)         |
| Other Receipts (Expenses)                                        | <u>61,731</u>     | <u>(1,521)</u>    |
| Net Cash from Operating Activities                               | 489,611           | 407,672           |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>          |                   |                   |
| Payments to City                                                 | (113,000)         | (100,000)         |
| Transfers to Water System                                        | <u>(100,000)</u>  | <u>-</u>          |
| Net Cash from Noncapital Financing Activities                    | (213,000)         | (100,000)         |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b> |                   |                   |
| Purchase and Construction of Capital Assets                      | (57,910)          | (25,463)          |
| Loss on Sale of Assets                                           | (1,132)           | (692)             |
| Revenue Bond Proceeds, Net                                       | 1,222,085         | -                 |
| Cash for Revenue Debt Payoff                                     | (1,267,343)       | -                 |
| Interest Paid on Notes and Lease Debt                            | (161,234)         | (173,191)         |
| Principal Paid on Revenue Notes                                  | (235,000)         | (225,000)         |
| Principal Paid on Lease Purchase Debt                            | <u>(96,000)</u>   | <u>(91,000)</u>   |
| Net Cash from Capital and Related Financing Activities           | (596,534)         | (515,346)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |                   |                   |
| Interest Received                                                | 31,022            | 53,474            |
| Certificates of Deposit, Net (Purchased) Redeemed                | 100,000           | (92,432)          |
| Reserve Deposits Paid to SIMECA                                  | <u>(2,707)</u>    | <u>(4,135)</u>    |
| Net Cash from Investing Activities                               | 128,315           | (43,093)          |
| Net Change in Cash and Equivalents                               | (191,608)         | (250,767)         |
| Cash and Equivalents, Beginning of Year                          | 492,979           | 743,746           |
| Cash and Equivalents, End of Year                                | <u>\$ 301,371</u> | <u>\$ 492,979</u> |

(Continued)

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

|                                                                                        | 2010              | 2009              |
|----------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>RECONCILIATION OF OPERATING EARNINGS TO<br/>NET CASH FROM OPERATING ACTIVITIES:</b> |                   |                   |
| Operating Earnings                                                                     | \$ 145,229        | \$ 143,475        |
| Adjustments to Reconcile Operating Earnings to Net Cash                                |                   |                   |
| Provided by Operating Activities -                                                     |                   |                   |
| Depreciation Non-cash Expense                                                          | 310,202           | 298,185           |
| Miscellaneous Revenue (Expense)                                                        | 17,803            | (1,521)           |
| Disposal of Scrapped Assets                                                            | 1,132             | 692               |
| Change in Operating Assets and Liabilities -                                           |                   |                   |
| Accounts Receivable (Increase) Decrease                                                | (22,686)          | (53,345)          |
| Inventories (Increase) Decrease                                                        | (548)             | (10,050)          |
| Patronage Dividend Receivable (Increase) Decrease                                      | 6,544             | 54,559            |
| Prepaid Expenses (Increase) Decrease                                                   | 1,970             | (707)             |
| Accounts Payable Increase (Decrease)                                                   | 18,799            | (18,468)          |
| Sales and Use Tax Payable Increase (Decrease)                                          | 1,093             | 955               |
| Other Accrued Liabilities Increase (Decrease)                                          | 10,073            | (6,103)           |
| Total Adjustments                                                                      | 344,382           | 264,197           |
| Net Cash from Operating Activities                                                     | <u>\$ 489,611</u> | <u>\$ 407,672</u> |

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *General* -**

The City of Greenfield owns an electric light and power system (electric), waterworks (water) and sewage treatment system. Many years ago, voters approved Greenfield Municipal Utilities (GMU) be organized to operate and manage only the electric and water systems. GMU is governed by a three-member board of trustees appointed by the City Council. The Board of Trustees exercises all oversight responsibility.

Greenfield Municipal Utilities provides electric and water service to a diversified base of residential, commercial, and industrial customers, primarily within the boundaries of the City. State statutes vest authority in the Board of Trustees to establish rates and provide, among other things, that books of account be kept for each utility system and for the equitable allocation of joint expenses.

These financial statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (FASB). As allowed by GASB, Greenfield Municipal Utilities follows the statements and interpretations of FASB issued after November 30, 1989, unless such pronouncements conflict with or contradict related GASB pronouncements. GMU has elected to continue to apply FASB pronouncements issued after November 30, 1989.

The significant accounting policies of GMU are described below.

**B. *Reporting Entity* -**

Generally accepted accounting principles (GAAP) require GMU to consider if it has oversight responsibility or control over any other legal entity. Control or dependence is determined based on budget adoption, taxing authority, funding, or appointment of the respective governing board.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Accordingly, Greenfield Municipal Utilities has been identified as a component unit of the City of Greenfield, but is legally separate from the City, and has no component units itself. As such, these financial statements include only the accounts of the Electric System. The financial activities of the Water System are presented and reported on separately.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. *Measurement Focus and Basis of Accounting -*

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

The Electric System is a governmental proprietary enterprise fund and uses the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net assets, financial position, and cash flows. Under the accrual basis of accounting, revenues are recognized when earned, except unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

### D. *Use of Estimates -*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### E. *Cash and Equivalents -*

GMU has defined cash and equivalents as unrestricted cash on hand, checking and savings accounts, and certificates of deposit with original maturities of three months or less. Cash and equivalents held as restricted assets are excluded for cash flow purposes.

### F. *Inventories - Materials and Supplies -*

Inventories of materials and supplies are stated at the lower of cost or market using the first-in, first-out method.

### G. *Capital Assets -*

Capital assets (property, plant and equipment, including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs of projects not yet in service, if any, are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Depreciation is provided over the assets estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-category is as follows:

|                                  |             |
|----------------------------------|-------------|
| Plant and Structures             | 20-50 Years |
| Sub-Station Improvements         | 20-35 Years |
| Transmission System Improvements | 25-35 Years |
| Distribution System Improvements | 25-35 Years |
| Vehicles                         | 5 Years     |
| Tools and Shop Equipment         | 5-10 Years  |
| Furniture and Office Equipment   | 5-10 Years  |

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### H. *Net Assets Classifications* -

Net assets are shown in three components, as follows:

- a. Invested in capital assets, net of related debt: Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of capital assets.
- b. Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets: All other net assets, including designated, that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Designated net assets, although earmarked by the Trustees, may be changed at any time by board action.

Amounts shown as restricted net assets and the purpose of the restriction are as follows:

| Restricted for         | 2010                | 2009                |
|------------------------|---------------------|---------------------|
| Revenue Notes Reserve  | \$ 579,118          | \$ 578,048          |
| Revenue Notes Capital  |                     |                     |
| Improvement Reserve    | 150,000             | 150,000             |
| Lease Purchase Reserve | 324,420             | 324,941             |
| Totals                 | <u>\$ 1,053,538</u> | <u>\$ 1,052,989</u> |

### I. *Taxes* -

GMU is not liable for federal and state income taxes or taxes on its property. However, payments in-lieu-of taxes and other contributions are made to the City by the Electric System.

## NOTE 2 - CASH AND POOLED INVESTMENTS

GMU pool their deposits and investments and maintain records as to the Electric System and Water System share of the total balance. All deposits at June 30, 2010 and 2009, were entirely covered by federal depository insurance, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GMU is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of drainage districts.

The investments held by SIMECA for debt reserves are not in the name of the utility and are invested in the Iowa Public Agency Investment Trust (IPAIT). All other investments at June 30, 2010, were held as certificates of deposits and cost is the same as carrying value.

**NOTE 2 - CASH AND POOLED INVESTMENTS (Continued)**

Monies held for special purposes are restricted to the use for which designated and cannot be used for the general operations of the utility. The funds held for debt redemption, debt reserve and improvements are required by covenants of the revenue notes payable.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Capital asset activity for the years ended June 30, 2010 and 2009, is as follows:

| <b>2010</b>                        | <b>Balance<br/>July 1,</b> | <b>Additions</b>    | <b>Retirements</b> | <b>Balance<br/>June 30,</b> |
|------------------------------------|----------------------------|---------------------|--------------------|-----------------------------|
| Capital Assets being Depreciated - |                            |                     |                    |                             |
| Production Plant                   | \$ 4,045,269               | \$ -                | \$ 12,188          | \$ 4,033,081                |
| Transmission System                | 118,312                    | -                   | 9,117              | 109,195                     |
| Distribution System                | 4,967,054                  | 2,700               | -                  | 4,969,754                   |
| Vehicles, Tools and Equipment      | 453,276                    | 6,142               | 3,437              | 455,981                     |
| Total Cost                         | <u>\$ 9,583,911</u>        | <u>\$ 8,842</u>     | <u>\$ 24,742</u>   | <u>\$ 9,568,011</u>         |
| Accumulated Depreciation for -     |                            |                     |                    |                             |
| Production Plant                   | \$ 2,451,563               | \$ 118,804          | \$ 11,056          | \$ 2,559,311                |
| Transmission System                | 118,312                    | -                   | 9,117              | 109,195                     |
| Distribution System                | 2,149,288                  | 167,860             | -                  | 2,317,148                   |
| Vehicles, Tools and Equipment      | 321,053                    | 23,538              | 3,437              | 341,154                     |
| Total Accumulated Depreciation     | <u>\$ 5,040,216</u>        | <u>\$ 310,202</u>   | <u>\$ 23,610</u>   | <u>\$ 5,326,808</u>         |
| <b>2009</b>                        | <b>Balance<br/>July 1,</b> | <b>Additions</b>    | <b>Retirements</b> | <b>Balance<br/>June 30,</b> |
| Capital Assets being Depreciated - |                            |                     |                    |                             |
| Production Plant                   | \$ 4,096,829               | \$ -                | \$ 51,559          | \$ 4,045,270                |
| Transmission System                | 240,620                    | -                   | 122,308            | 118,312                     |
| Distribution System                | 3,789,557                  | 1,177,496           | -                  | 4,967,053                   |
| Vehicles, Tools and Equipment      | 444,704                    | 11,663              | 3,091              | 453,276                     |
| Total Cost                         | <u>\$ 8,571,710</u>        | <u>\$ 1,189,159</u> | <u>\$ 176,958</u>  | <u>\$ 9,583,911</u>         |
| Accumulated Depreciation for -     |                            |                     |                    |                             |
| Production Plant                   | \$ 2,383,377               | \$ 119,514          | \$ 51,328          | \$ 2,451,563                |
| Transmission System                | 240,158                    | -                   | 121,846            | 118,312                     |
| Distribution System                | 2,000,625                  | 148,663             | -                  | 2,149,288                   |
| Vehicles, Tools and Equipment      | 294,136                    | 30,008              | 3,091              | 321,053                     |
| Total Accumulated Depreciation     | <u>\$ 4,918,296</u>        | <u>\$ 298,185</u>   | <u>\$ 176,265</u>  | <u>\$ 5,040,216</u>         |

**NOTE 3 - PROPERTY AND EQUIPMENT (Continued)**

Depreciation expense by asset group charged to operations is as follows:

|                               | 2010              | 2009              |
|-------------------------------|-------------------|-------------------|
| Production Plant              | \$ 118,804        | \$ 119,514        |
| Distribution System           | 167,860           | 148,663           |
| Vehicles, Tools and Equipment | 23,538            | 30,008            |
| Totals                        | <u>\$ 310,202</u> | <u>\$ 298,185</u> |

**NOTE 4 - COMPENSATED ABSENCES**

GMU employees accumulate a limited amount of vested, but unused, vacation and sick leave hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements for 2010 and 2009 represent the amount due for the hours accumulated at the employees' June 30 rate of compensation.

**NOTE 5 - REVENUE BONDS AND NOTES PAYABLE**

During 2001, the Electric System issued \$1,400,000 of revenue notes, maturing serially from September 1, 2002 through September 1, 2013, with interest at various rates from 4.30 to 5.20 percent per annum payable semiannually on March 1 and September 1. The notes are callable and were called on or after September 1, 2010, at par plus accrued interest.

During 2003, the Electric System issued \$840,000 of refunding notes, maturing serially from September 1, 2004 through September 1, 2010, with interest at various rates from 1.60 to 3.20 percent per annum payable semiannually on March 1 and September 1. The notes are callable on or after September 1, 2010, at par plus accrued interest. The proceeds were used to complete a current refunding of higher interest rated bonds issued in 1992. The total benefit of this refunding was \$120,410, which will be recognized as reduced interest expense over the payment period of the refunding notes.

During 2006, the Electric System issued \$1,220,000 of revenue bonds, maturing serially from September 1, 2007 through September 1, 2021, with interest at various rates from 4.00 to 4.60 percent per annum payable annually on September 1. The bonds are callable on or after September 1, 2014, at par plus accrued interest. The proceeds were used for improvements to the Power Plant Substation.

During 2010, the Electric System issued \$1,245,000 of revenue bonds, maturing serially from September 1, 2011 through September 1, 2016, with interest at various rates from 1.60 to 3.25 percent per annum payable semiannually on March 1 and September 1. The notes are callable on or after September 1, 2014, at par plus accrued interest.

# **NOTE 5 - REVENUE BOND AND NOTES PAYABLE (Continued)**

Future debt service requirements are as follows:

| Year<br>Ending<br>June 30, | Revenue<br>Obligation 2001 |                  | Refunding<br>Obligation 2003 |                 | Revenue<br>Obligation 2006 |                   |
|----------------------------|----------------------------|------------------|------------------------------|-----------------|----------------------------|-------------------|
|                            | Principal                  | Interest         | Principal                    | Interest        | Principal                  | Interest          |
| 2011                       | \$ 1,235,000               | \$ 32,343        | \$ 130,000                   | \$ 2,080        | \$ 85,000                  | \$ 40,810         |
| 2012                       | -                          | -                | -                            | -               | 80,000                     | 37,510            |
| 2013                       | -                          | -                | -                            | -               | 80,000                     | 34,290            |
| 2014                       | -                          | -                | -                            | -               | 80,000                     | 31,010            |
| 2015                       | -                          | -                | -                            | -               | 90,000                     | 27,460            |
| 2016                       | -                          | -                | -                            | -               | 70,000                     | 24,083            |
| 2017                       | -                          | -                | -                            | -               | 75,000                     | 20,982            |
| 2018                       | -                          | -                | -                            | -               | 80,000                     | 17,610            |
| 2019                       | -                          | -                | -                            | -               | 80,000                     | 14,070            |
| 2020                       | -                          | -                | -                            | -               | 85,000                     | 10,378            |
| 2021                       | -                          | -                | -                            | -               | 90,000                     | 6,417             |
| 2022                       | -                          | -                | -                            | -               | 95,000                     | 2,185             |
| Totals                     | <u>\$ 1,235,000</u>        | <u>\$ 32,343</u> | <u>\$ 130,000</u>            | <u>\$ 2,080</u> | <u>\$ 990,000</u>          | <u>\$ 266,805</u> |

| Year<br>Ending<br>June 30, | Revenue<br>Obligation 2010 |                   | Total Required      |                   | Total               |
|----------------------------|----------------------------|-------------------|---------------------|-------------------|---------------------|
|                            | Principal                  | Interest          | Principal           | Interest          |                     |
| 2011                       | \$ 195,000                 | \$ 37,932         | \$ 1,645,000        | \$ 113,165        | \$ 1,758,165        |
| 2012                       | 200,000                    | 27,775            | 280,000             | 65,285            | 345,285             |
| 2013                       | 205,000                    | 23,775            | 285,000             | 58,065            | 343,065             |
| 2014                       | 210,000                    | 19,060            | 290,000             | 50,070            | 340,070             |
| 2015                       | 215,000                    | 13,600            | 305,000             | 41,060            | 346,060             |
| 2016                       | 220,000                    | 7,150             | 290,000             | 31,233            | 321,233             |
| 2017                       |                            |                   | 75,000              | 20,982            | 95,982              |
| 2018                       |                            |                   | 80,000              | 17,610            | 97,610              |
| 2019                       |                            |                   | 80,000              | 14,070            | 94,070              |
| 2020                       |                            |                   | 85,000              | 10,378            | 95,378              |
| 2021                       |                            |                   | 90,000              | 6,417             | 96,417              |
| 2022                       |                            |                   | 95,000              | 2,185             | 97,185              |
| Totals                     | <u>\$ 1,245,000</u>        | <u>\$ 129,292</u> | <u>\$ 3,600,000</u> | <u>\$ 430,520</u> | <u>\$ 4,030,520</u> |

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- A. The debt will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the activity.
- B. Sufficient cash transfers shall be made to an electric bond and interest account for the purpose of making the next annual principal and interest payment when due. As of June 30, 2010, the electric bond and interest sinking fund account was fully funded.

## NOTE 5 - REVENUE BONDS AND NOTES PAYABLE (Continued)

- C. Additional cash transfers shall be made to an electric bond reserve account until such account reaches \$247,500. This amount is restricted for the purpose of paying principal and interest whenever, for any reason, the funds on deposit in the sinking fund are insufficient to pay such principal and interest when due. As of June 30, 2010, the electric bond reserve account was fully funded.
- D. Cash transfers shall be made to an electric capital improvement account until such account reaches \$150,000. This account is restricted for the purpose of paying for extraordinary maintenance costs, rentals, improvements, extensions or repairs to the system not included in the annual budget of revenues and current expenses, and bond principal and interest. As of June 30, 2010, this account was fully funded.

## NOTE 6 - LEASE-PURCHASE CONTRACT OBLIGATION

The Electric System is leasing two generation units installed in its service territory under agreements that are classified as a capital lease. The cost of the assets under the capital lease of \$1,982,548 is included in the balance sheet as production equipment and is being depreciated at the same rate as other similar production equipment.

This lease-purchase agreement is with SIMECA in the original principal amount of \$1,479,327. Interest rates on the capitalized lease vary from 3.20% to 5.30% which are the rates being paid by SIMECA on the funds borrowed to fund the lease. The lease-purchase agreement expires March 1, 2017. Payments under this agreement are due semiannually beginning September 2002 with future minimum payments as follows:

| Year Ending<br>June 30, | Rate  | Principal         | Interest          | Total             |
|-------------------------|-------|-------------------|-------------------|-------------------|
| 2011                    | 4.75% | \$ 100,000        | \$ 41,216         | \$ 141,216        |
| 2012                    | 4.90% | 105,000           | 36,466            | 141,466           |
| 2013                    | 5.00% | 110,000           | 31,322            | 141,322           |
| 2014                    | 5.10% | 115,000           | 25,821            | 140,821           |
| 2015                    | 5.20% | 120,000           | 19,957            | 139,957           |
| 2016                    | 5.25% | 127,000           | 13,717            | 140,717           |
| 2017                    | 5.30% | 133,000           | 7,049             | 140,049           |
| Totals                  |       | <u>\$ 810,000</u> | <u>\$ 175,548</u> | <u>\$ 985,548</u> |

The resolutions providing for the issuance of the SIMECA lease-purchase include the following provisions:

- A. Cash transfers shall be made to a reserve fund held by SIMECA until such account reaches \$147,900. This amount is restricted as security for the bonds. As of June 30, 2010, this account was fully funded.
- B. The Board shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 125% of the average annual payments. As of June 30, 2010, the net revenues exceeded this requirement.

## NOTE 7 - CHANGES IN LONG-TERM DEBT

Changes in long-term debt for the years ended June 30, 2010 and 2009, are as follows:

| <b>2010</b>                     | <b>Balances<br/>July 1,</b> | <b>Issues or<br/>Additions</b> | <b>Payments or<br/>Expenditures</b> | <b>Balances<br/>June 30,</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------|-----------------------------|--------------------------------|-------------------------------------|------------------------------|--------------------------------|
| 2001 Revenue Notes              | \$ 1,255,000                | \$ -                           | \$ 20,000                           | \$ 1,235,000                 | \$1,235,000                    |
| 2003 Revenue<br>Refunding Notes | 255,000                     | -                              | 125,000                             | 130,000                      | 130,000                        |
| 2002 Revenue Notes<br>(SIMECA)  | 906,000                     | -                              | 96,000                              | 810,000                      | 100,000                        |
| 2006 Revenue Bonds              | 1,080,000                   | -                              | 90,000                              | 990,000                      | 85,000                         |
| 2010 Revenue Bonds              | -                           | 1,245,000                      | -                                   | 1,245,000                    | 195,000                        |
|                                 | <u>\$ 3,496,000</u>         | <u>\$1,245,000</u>             | <u>\$ 331,000</u>                   | <u>\$ 4,410,000</u>          | <u>\$1,745,000</u>             |
| <b>2009</b>                     | <b>Balances<br/>July 1,</b> | <b>Issues or<br/>Additions</b> | <b>Payments or<br/>Expenditures</b> | <b>Balances<br/>June 30,</b> | <b>Due Within<br/>One Year</b> |
| 2001 Revenue Notes              | \$ 1,275,000                | \$ -                           | \$ 20,000                           | \$1,255,000                  | \$ 20,000                      |
| 2003 Revenue<br>Refunding Notes | 375,000                     | -                              | 120,000                             | 255,000                      | 125,000                        |
| 2002 Revenue Notes<br>(SIMECA)  | 997,000                     | -                              | 91,000                              | 906,000                      | 96,000                         |
| 2006 Revenue Bonds              | 1,165,000                   | -                              | 85,000                              | 1,080,000                    | 90,000                         |
|                                 | <u>\$ 3,812,000</u>         | <u>\$ -</u>                    | <u>\$ 316,000</u>                   | <u>\$3,496,000</u>           | <u>\$ 331,000</u>              |

## NOTE 8 - PAYMENT TO THE CITY

By resolution of the Board of Trustees, the electric system pays an in-lieu-of payment to the City of Greenfield at the rate of \$.003 per KWH based on the estimated annual sale of electricity. This payment, once estimated, is not adjusted. The payments in 2010 and 2009 were \$110,000 and \$100,000, respectively. Additionally, the Electric System paid the City \$3,000 during 2010 to assist with Municipal Building repairs.

## NOTE 9 - PENSION AND RETIREMENT BENEFITS

GMU contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the employer is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The Electric System's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008, was \$17,205, \$15,347, and \$13,932, respectively, which met the required contributions for each year.

#### **NOTE 10 - DEFERRED COMPENSATION PLAN**

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral to future years of a portion of their current salary. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a separate third-party trust for the exclusive benefit of participants and their beneficiaries.

#### **NOTE 11 - RELATED PARTIES**

South Iowa Municipal Electric Cooperative Association (SIMECA) membership is made up of 15 municipalities, one of which is Greenfield Municipal Utilities. It is organized to purchase, generate, transmit or distribute electric energy and to develop and establish safety programs for the benefit of its municipal members. Profits from SIMECA are returned to its members as patronage refund dividends.

SIMECA is a member of Central Iowa Power Cooperative (CIPCO) and is party to a long-term (15.5 years) contract with them for the purchase of electric energy and the distribution of this energy to its members. This contract ran to December 31, 2008, and then renews for five years under the same terms. There are no minimum payments required by this contract.

Currently, SIMECA has purchased and installed generation equipment in several of its member municipalities and issued its revenue bonds in payment thereof. Each applicable member has entered into a lease-purchase agreement whereby the member will pay a proportionate share of interim costs and revenue bond principal and interest debt incurred by SIMECA regarding the installed generation equipment. GMU's share of this debt principal was originally \$1,479,327, which is the subject of the capitalized lease-purchase shown in the financial statements. See Note 6.

#### **NOTE 12 - CONCENTRATIONS**

The Electric System provides electricity to customers in a specified service area in and around the City of Greenfield, Iowa. It grants credit to substantially all customers, all of whom are local businesses or residents.

Sales to a local manufacturing company accounted for approximately 46 percent and 45 percent of the total operating revenue for the years ended June 30, 2010 and 2009, respectively.

#### **NOTE 13 - RISK MANAGEMENT**

The Greenfield Municipal Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the statements of net assets.

## NOTE 15 - BUDGETS AND BUDGETARY ACCOUNTING

GMU prepares a budget on the basis of cash receipts and disbursements instead of the accrual basis of accounting presented in these financial statements. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes this Electric System, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. There were no budget amendments adopted during the current year.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions or programs, not by fund. These functions are grouped as either governmental activities or business activities.

The Electric System budget is included as a part of the City and GMU combined business type activities budget. A comparison of the actual Electric System activity, adjusted to the budgetary basis, and the total budgeted amounts is as follows:

|                                                       | <b>Actual</b>       | <b>Budget</b>       |
|-------------------------------------------------------|---------------------|---------------------|
| Operating and Nonoperating Revenue -<br>GAAP Basis    | \$ 3,677,306        |                     |
| Adjust for -                                          |                     |                     |
| Customer Charge Accruals                              | (22,686)            |                     |
| Other Operating Revenue Accruals                      | 6,544               |                     |
| Nonoperating Revenue Accruals                         | 1,973               |                     |
| Proceeds of Notes                                     | 1,222,085           |                     |
| Operating and Nonoperating Revenue -<br>Budget Basis  | <u>\$ 4,885,222</u> | <u>\$ 4,090,300</u> |
|                                                       | <b>Actual</b>       | <b>Budget</b>       |
| Operating and Nonoperating Expenses -<br>GAAP Basis   | \$ 3,860,383        |                     |
| Adjust for -                                          |                     |                     |
| Operating Expense Accruals                            | 31,381              |                     |
| Nonoperating Expense Accruals                         | (1,819)             |                     |
| Capital Outlays                                       | 57,910              |                     |
| Depreciation                                          | (310,202)           |                     |
| Loss on Sale of Assets                                | (1,132)             |                     |
| Debt Payment                                          | 331,000             |                     |
| Operating and Nonoperating Expenses -<br>Budget Basis | <u>\$ 3,967,521</u> | <u>\$ 4,874,360</u> |

## NOTE 16 - COMMITMENTS

The Electric Utility has pledged \$10,000 per year for five years to the Adair County Memorial Hospital Building Fund in order to support local economic development. As of June 30, 2010, \$30,000 was still outstanding on this commitment. No liability is recorded in the financial statements for this.

**NOTE 16 - COMMITMENTS (Continued)**

The Electric Utility also has a customer support agreement with Ziegler Power Systems for substation engines. This is a five year agreement which is effective from January 1, 2008 through December 31, 2012, at a cost of \$17,642.94 per year. As of June 30, 2010, \$52,928.82 was still outstanding on this commitment.

The Greenfield Municipal Utilities' board of trustees approved a \$60,000 loan to the Community Development Corporation of Greenfield related to the transfer of a parcel of land to them with the goal of attracting a business to the property. These funds were paid out of the Electric System during 2009. Due to the likelihood that the Greenfield Municipal Utilities will not be repaid on this loan in the form of a direct cash receipt, management has expensed this loan as Economic Development support during 2009.

The Electric Utility has entered into an agreement with Ziegler Power Systems for the purchase and installation of two new generator engines for the North Power Plant at a cost of \$1,267,406. Management anticipates these engines to be placed in operation during the next fiscal year. They will be financed with new bonds.

**NOTE 17 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 25, 2010, which is the date the financial statements were available to be issued, and management believes that no events have occurred that require adjustment of, or disclosure in, the financial statements.

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**SUPPLEMENTARY INFORMATION**

## SCHEDULE 1

GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEMSCHEDULES OF EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

|                                      | 2010                |         | 2009                |         | Increase<br>(Decrease) |
|--------------------------------------|---------------------|---------|---------------------|---------|------------------------|
|                                      | Amount              | Percent | Amount              | Percent |                        |
| Plant Operations -                   |                     |         |                     |         |                        |
| Salaries and Wages                   | \$ 48,739           | 1.3     | \$ 20,998           | 0.6     | \$ 27,741              |
| Employer Payroll Taxes               | 6,619               | 0.2     | 3,001               | 0.1     | 3,618                  |
| Group Insurance                      | 12,013              | 0.3     | 13,287              | 0.4     | (1,274)                |
| Professional Fees                    | 10,331              | 0.3     | 3,382               | 0.1     | 6,949                  |
| Insurance                            | 12,450              | 0.3     | 11,750              | 0.3     | 700                    |
| Fuel and Lube Oil                    | 42,529              | 1.2     | 13,309              | 0.4     | 29,220                 |
| Utilities and Communications         | 4,803               | 0.1     | 6,319               | 0.2     | (1,516)                |
| Total Plant Operations               | <u>\$ 137,484</u>   | 3.8     | <u>\$ 72,046</u>    | 2.1     | <u>\$ 65,438</u>       |
| Plant Maintenance -                  |                     |         |                     |         |                        |
| Engine Repairs                       | \$ 2,969            | 0.1     | \$ 5,263            | 0.2     | \$ (2,294)             |
| Supplies - Operating and Maintenance | 18,354              | 0.5     | 23,613              | 0.7     | (5,259)                |
| Repair Maintenance Services          | 26,006              | 0.7     | 19,826              | 0.6     | 6,180                  |
| Total Plant Maintenance              | <u>\$ 47,329</u>    | 1.3     | <u>\$ 48,702</u>    | 1.4     | <u>\$ (1,373)</u>      |
| Purchased Energy                     | <u>\$ 2,409,304</u> | 66.4    | <u>\$ 2,324,478</u> | 67.0    | <u>\$ 84,826</u>       |
| Distribution Operations -            |                     |         |                     |         |                        |
| Salaries and Wages                   | \$ 135,050          | 3.7     | \$ 143,021          | 4.1     | \$ (7,971)             |
| Employer Payroll Taxes               | 20,719              | 0.6     | 22,385              | 0.6     | (1,666)                |
| Group Insurance                      | 31,587              | 0.9     | 23,975              | 0.7     | 7,612                  |
| Professional Fees                    | 714                 | -       | 195                 | -       | 519                    |
| Street Light Expense                 | 487                 | -       | 6,323               | 0.2     | (5,836)                |
| Total Distribution Operations        | <u>\$ 188,557</u>   | 5.2     | <u>\$ 195,899</u>   | 5.6     | <u>\$ (7,342)</u>      |
| Distribution Maintenance -           |                     |         |                     |         |                        |
| Vehicle Operating Expenses           | \$ 16,349           | 0.5     | \$ 13,409           | 0.4     | \$ 2,940               |
| Supplies - Operating and Maintenance | 89,813              | 2.5     | 84,208              | 2.4     | 5,605                  |
| Total Distribution Maintenance       | <u>\$ 106,162</u>   | 2.9     | <u>\$ 97,617</u>    | 2.8     | <u>\$ 8,545</u>        |

(Continued)

## SCHEDULE 1

GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEMSCHEDULES OF EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

|                                      | 2010              |         | 2009              |         | Increase<br>(Decrease) |
|--------------------------------------|-------------------|---------|-------------------|---------|------------------------|
|                                      | Amount            | Percent | Amount            | Percent |                        |
| Accounting and Collecting -          |                   |         |                   |         |                        |
| Salaries and Wages                   | \$ 39,534         | 1.1     | \$ 31,147         | 0.9     | \$ 8,387               |
| Employer Payroll Taxes               | 5,274             | 0.1     | 4,318             | 0.1     | 956                    |
| Group Insurance                      | 15,506            | 0.4     | 14,347            | 0.4     | 1,159                  |
| Advertising and Notices              | 2,186             | 0.1     | 936               | -       | 1,250                  |
| Office Supplies                      | 6,638             | 0.2     | 6,866             | 0.2     | (228)                  |
| Copier and Computer Maintenance      | 2,293             | 0.1     | 2,612             | 0.1     | (319)                  |
| Total Accounting and Collecting      | <u>\$ 71,431</u>  | 2.0     | <u>\$ 60,226</u>  | 1.7     | <u>\$ 11,205</u>       |
| Administrative Expenses -            |                   |         |                   |         |                        |
| Salaries and Wages                   | \$ 48,558         | 1.3     | \$ 40,422         | 1.2     | \$ 8,136               |
| Employer Payroll Taxes               | 10,784            | 0.3     | 10,525            | 0.3     | 259                    |
| Group Insurance                      | 9,241             | 0.3     | 10,365            | 0.3     | (1,124)                |
| Professional Fees                    | 38,802            | 1.1     | 16,992            | 0.5     | 21,810                 |
| Insurance                            | 11,099            | 0.3     | 11,750            | 0.3     | (651)                  |
| Economic Development                 | 17,405            | 0.5     | 76,973            | 2.2     | (59,568)               |
| Travel, Conferences and Dues         | 21,977            | 0.6     | 12,554            | 0.4     | 9,423                  |
| Utilities and Communications         | 1,932             | 0.1     | 1,850             | 0.1     | 82                     |
| Supplies - Operating and Maintenance | 1,527             | -       | 1,566             | -       | (39)                   |
| Use Taxes                            | 9,552             | 0.3     | 5,872             | 0.2     | 3,680                  |
| Total Administrative Expenses        | <u>\$ 170,877</u> | 4.7     | <u>\$ 188,869</u> | 5.4     | <u>\$ (17,992)</u>     |
| Rebates and Refunds                  | <u>\$ 42,751</u>  | 1.2     | <u>\$ 37,832</u>  | 1.1     | <u>\$ 4,919</u>        |
| Depreciation Expense                 | <u>\$ 310,202</u> | 8.5     | <u>\$ 298,185</u> | 8.6     | <u>\$ 12,017</u>       |

Note - Percentages are based on total operating revenue.

**SCHEDULE 2**

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**SCHEDULE OF OUTSTANDING DEBT  
JUNE 30, 2010**

|                                                                | <b>Maturity<br/>Date</b> | <b>Interest<br/>Rate</b> | <b>Principal<br/>Amount</b> |
|----------------------------------------------------------------|--------------------------|--------------------------|-----------------------------|
| <b>Electric Revenue Notes (Issued May 1, 2001)</b>             | 09/01/10                 | 5.00%                    | 25,000                      |
|                                                                | 09/01/11                 | 5.10%                    | 175,000                     |
| Interest is payable September 1 and March 1. Notes             | 09/01/12                 | 5.15%                    | 185,000                     |
| due on September 1, 2011, and thereafter are callable          | 09/01/13                 | 5.20%                    | 195,000                     |
| in inverse order on September 1, 2010, and any date            | 09/01/14                 | 5.25%                    | 205,000                     |
| thereafter. The Notes were called and were paid in             | 09/01/15                 | 5.30%                    | 220,000                     |
| full on September 1, 2010                                      | 09/01/16                 | 5.40%                    | 230,000                     |
|                                                                |                          |                          | <u>1,235,000</u>            |
| <b>Electric Refunding Notes (Issued July 1, 2003)</b>          |                          |                          |                             |
|                                                                | 09/01/10                 | 3.20%                    | <u>130,000</u>              |
| Interest is payable September 1 and March 1. Notes             |                          |                          | 130,000                     |
| due on September 1, 2008, and thereafter are callable          |                          |                          |                             |
| in inverse order on September 1, 2007, and any date            |                          |                          |                             |
| thereafter                                                     |                          |                          |                             |
| <b>Lease Purchase Agreement (Issued March 1, 2002)</b>         | 03/01/11                 | 4.75%                    | 100,000                     |
|                                                                | 03/01/12                 | 4.90%                    | 105,000                     |
| Interest is payable September 1 and March 1. Notes             | 03/01/13                 | 5.00%                    | 110,000                     |
| due on September 1, 2012, and thereafter are callable          | 03/01/14                 | 5.10%                    | 115,000                     |
| in inverse order on March 1, 2002, and any date thereafter     | 03/01/15                 | 5.20%                    | 120,000                     |
|                                                                | 03/01/16                 | 5.25%                    | 127,000                     |
|                                                                | 03/01/17                 | 5.30%                    | <u>133,000</u>              |
|                                                                |                          |                          | 810,000                     |
| <b>Electric Revenue Bonds (Issued November 29, 2006)</b>       | 09/01/10                 | 4.00%                    | 85,000                      |
|                                                                | 09/01/11                 | 4.00%                    | 80,000                      |
| Interest is payable September 1 and March 1. Bonds             | 09/01/12                 | 4.05%                    | 80,000                      |
| due on September 1, 2021, and thereafter are callable          | 09/01/13                 | 4.15%                    | 80,000                      |
| in inverse order on September 1, 2012, and any date thereafter | 09/01/14                 | 4.20%                    | 90,000                      |
|                                                                | 09/01/15                 | 4.25%                    | 70,000                      |
|                                                                | 09/01/16                 | 4.30%                    | 75,000                      |
|                                                                | 09/01/17                 | 4.40%                    | 80,000                      |
|                                                                | 09/01/18                 | 4.45%                    | 80,000                      |
|                                                                | 09/01/19                 | 4.50%                    | 85,000                      |
|                                                                | 09/01/20                 | 4.55%                    | 90,000                      |
|                                                                | 09/01/21                 | 4.60%                    | <u>95,000</u>               |
|                                                                |                          |                          | 990,000                     |

(Continued)

**SCHEDULE 2**

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**SCHEDULE OF OUTSTANDING DEBT  
JUNE 30, 2010**

|                                                                                                                                                                                | <b>Maturity<br/>Date</b> | <b>Interest<br/>Rate</b> | <b>Principal<br/>Amount</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|-----------------------------|
| <b>Electric Revenue Notes (Issued June 9, 2010)</b>                                                                                                                            | 09/01/11                 | 1.60%                    | 195,000                     |
|                                                                                                                                                                                | 09/01/12                 | 2.00%                    | 200,000                     |
|                                                                                                                                                                                | 09/01/13                 | 2.30%                    | 205,000                     |
|                                                                                                                                                                                | 09/01/14                 | 2.60%                    | 210,000                     |
|                                                                                                                                                                                | 09/01/15                 | 3.00%                    | 215,000                     |
|                                                                                                                                                                                | 09/01/16                 | 3.25%                    | 220,000                     |
|                                                                                                                                                                                |                          |                          | <u>1,245,000</u>            |
| Interest is payable September 1 and March 1. Notes<br>due on September 1, 2016, and thereafter are callable<br>in any order on September 1, 2014, or on any date<br>thereafter |                          |                          |                             |
| <b>Total Outstanding Debt</b>                                                                                                                                                  |                          |                          | <u><u>\$ 4,410,000</u></u>  |

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**STATISTICAL REPORTS (UNAUDITED)  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

|                         | Unaudited<br>2010 |         | Unaudited<br>2009 |         | Increase<br>(Decrease) |
|-------------------------|-------------------|---------|-------------------|---------|------------------------|
|                         | KWH               | Percent | KWH               | Percent |                        |
| <b>KWH AVAILABLE:</b>   |                   |         |                   |         |                        |
| Purchase or Generated   | <u>42,176,381</u> | 100.0   | <u>42,618,231</u> | 100.0   | <u>(441,850)</u>       |
| Total Available         | 42,176,381        | 100.0   | 42,618,231        | 100.0   | (441,850)              |
| <b>LESS - CITY USE:</b> |                   |         |                   |         |                        |
| Electric Utility System | 502,127           | 1.2     | 488,484           | 1.1     | 13,643                 |
| Street Lights           | <u>252,173</u>    | 0.6     | <u>204,451</u>    | 0.5     | <u>47,722</u>          |
| Total City Use          | <u>754,300</u>    | 1.8     | <u>692,935</u>    | 1.6     | <u>61,365</u>          |
| Available for Sale      | 41,422,081        | 98.2    | 41,925,296        | 98.4    | (503,215)              |
| <b>KWH SOLD:</b>        |                   |         |                   |         |                        |
| Residential             | 9,218,085         | 21.9    | 9,522,260         | 22.3    | (304,175)              |
| Commercial              | 8,571,726         | 20.3    | 8,606,259         | 20.2    | (34,533)               |
| Industrial              | 19,940,297        | 47.3    | 20,152,607        | 47.3    | (212,310)              |
| Municipal Water Utility | 1,025,295         | 2.4     | 991,551           | 2.3     | 33,744                 |
| City of Greenfield      | <u>428,590</u>    | 1.0     | <u>430,237</u>    | 1.0     | <u>(1,647)</u>         |
| Total KWH Sales         | 39,183,993        | 92.9    | 39,702,914        | 93.1    | (518,921)              |
| Line Loss               | <u>2,238,088</u>  | 5.3     | <u>2,222,382</u>  | 5.3     | <u>15,706</u>          |

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**INFORMATION REQUIRED BY REVENUE NOTE RESOLUTION (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009**

|                                               | 2010      | 2009      |
|-----------------------------------------------|-----------|-----------|
| <b>RESIDENTIAL ELECTRIC:</b>                  |           |           |
| Customer Charges per Meter per Month -        |           |           |
| Inside City Limits                            | \$ 7.50   | \$ 7.50   |
| Outside City Limits                           | 11.50     | 11.50     |
| Energy Charge per Kilowatt Hour*              | 0.063     | 0.063     |
| Demand Charge per Kilowatt Over 40            | 10.00     | 10.00     |
| Date Effective                                | 2/1/2006  | 2/1/2006  |
| <b>COMMERCIAL ELECTRIC:</b>                   |           |           |
| Customer Charges per Meter per Month -        |           |           |
| Inside City Limits                            | \$ 11.50  | \$ 11.50  |
| Outside City Limits                           | 15.50     | 15.50     |
| Three Phase Customer per Meter per Month -    |           |           |
| Inside City Limits                            | 25.00     | 25.00     |
| Outside City Limits                           | 29.00     | 29.00     |
| Energy Charge per Kilowatt Hour Under 10,000* | 0.074     | 0.074     |
| Energy Charge per Kilowatt Hour Over 10,000*  | 0.032     | 0.032     |
| Date Effective                                | 2/1/2006  | 2/1/2006  |
| <b>INDUSTRIAL ELECTRIC:</b>                   |           |           |
| Customer Charges per Meter per Month -        | \$ 100.00 | \$ 100.00 |
| Energy Charge per Kilowatt Hour*              | 0.0345    | 0.0345    |
| Demand Charge, per Kilowatt                   | 10.00     | 10.00     |
| Date Effective                                | 2/1/2006  | 2/1/2006  |
| <b>METERS AT JUNE 30</b>                      | 1,286     | 1,299     |

\*Rates are subject to a power cost adjustment which is based on the cost of power for the three preceding months and the kilowatt hour sales for the three preceding months. This adjustment can either increase or decrease the rate in effect for each month based upon the unrecovered cost in energy adjustment account.

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Greenfield Municipal Utilities  
Electric System  
Greenfield, Iowa

We have audited the financial statements of the Electric System, a department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Electric System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Electric System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Electric System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Electric System's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part 2 of the accompanying Schedule of Findings and Questioned Costs as items 10-2A, 10-2B, and 10-2C to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Electric System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Electric System's operations for the years ended June 30, 2010 and 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Electric System. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Electric Systems' responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we expressed our conclusions on the responses, we did not audit the Electric System's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and citizens of the City of Greenfield, and other parties to whom the Greenfield Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By   
\_\_\_\_\_  
Certified Public Accountant

October 25, 2010

**GREENFIELD MUNICIPAL UTILITIES  
ELECTRIC SYSTEM**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**PART 1: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

Significant Deficiencies:

- 10-1A **Cash Accounts** - We commented in the prior year that a single individual prepares checks, reconciles bank accounts and maintains the general ledger. Recording of receipts and writing and recording payroll are performed by a different employee. To the extent possible, duties should be segregated to serve as a check and balance for identifying errors, to eliminate errors in the monthly financial reports, and to maintain the best control system possible. A primary control action is the regular reconciliation of all cash accounts.

Greenfield Municipal Utilities shares one checking account, one savings account and multiple certificates of deposit to manage its cash. However, more than one self-balancing fund is used for accounting purposes and tracks how each fund shares in each of these cash types. An integral part of the bank reconciliation is verifying each fund's share in the overall cash balance. The records indicated that the bank account reconciliations were not prepared until September 2010.

**Recommendation** - All cash accounts should be reconciled timely and regularly. Further, alternating the reconciliations between two employees would increase the overall control. In addition, we recommend the governing board be provided accurate monthly cash reports which would show the total cash in each bank account and the amount of each fund's share in the overall pooled balance in checking, savings or certificates of deposit.

**Response** - This situation has improved from previous years and will continue to improve as more experience is acquired with regular use of the software and a more comprehensive understanding of accounting procedures.

**Conclusion** - Response accepted.

- 10-1B **Accurate Financial Reports** - We noted in the prior year that various accounting and reporting processes are delayed. Specifically, the accounts payable, SIMECA Payable, and Sewer fee collection payable need to be reconciled to the general ledger monthly and the debt payments need to be coded from the proper fund. During the current year, we noted that financial reports are now timely, but not yet accurate for these accruals. Lack of having correct financial information can impact management's ability to effectively maintain oversight of an organization. Critical areas such as financial analysis, budgetary control, cash flow, and compliance with various statutes can all be negatively impacted. Further, we believe that the lack of accurate management reports removes the important control function of management oversight necessary with limited segregation of duties. Although this problem did improve during the current year, it is not resolved to the extent to not continue this comment this year.

**Recommendation** - We strongly suggest that whatever steps necessary be taken to ensure that the board receives accurate financial information on a regular basis. Specifically, accrual and payable accounts need to be verified and reconciled monthly. We further recommend that the reports be developed to come from the new software. This may require changing some work flow procedures or additional training on the new software. Once the reporting process is up to date, every effort must be made to maintain that status.

**Response** - With the relatively new accounting software and the Office Manager/City Clerk having limited experience in this type of environment, she may be overburdened producing management financial reports, understanding the governmental chart of accounts and performing her duties of City Clerk. The Office Manager/City Clerk has limited experience of working in a governmental environment. Management believes this situation will continue to improve as more experience is acquired with daily use of the software and further knowledge is gained of the governmental environment.

**Conclusion** - Response accepted.

- 10-1C **Prior Year Findings** - In the prior year's Schedule of Findings and Questioned Costs, we had findings regarding timely bank account reconciliations, accurate posting and account coding, and timeliness of financial reports. These findings have improved during the current year.

Instances of Non-Compliance:

No matters noted.

**PART 2: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:**

- 10-2A **Official Depositories** - A resolution naming depositories for combined funds of the City and Library and Greenfield Municipal Utilities has been approved by the City Council and the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year by Greenfield Municipal Utilities. The depositories named and maximum deposit amounts authorized are as follows:

|                     |              |
|---------------------|--------------|
| First National Bank | \$ 4,000,000 |
| Union State Bank    | 4,000,000    |

- 10-2B **Certified Budget** - Disbursements during the year ended June 30, 2010, did not exceed the amount budgeted for the Electric System as recorded in the budget of the City of Greenfield included in the electric business type activity.
- 10-2C **Questionable Disbursements** - We noted no expenditures that we believe would constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- 10-2D **Travel Expense** - No expenditures of Electric System money for travel expenses of spouses of officials or employees were noted.
- 10-2E **Business Transactions** - Business transactions between the Greenfield Municipal Utilities Electric Utility System and the Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.
- 10-2F **Bond Coverage** - Surety bond coverage of officials and employees is in accordance with statutory provisions. However, we recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. See the page listing the "Officials" for individual bond coverage amounts.
- 10-2G **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. The minutes were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, total receipts were not included in the published minutes.

10-2H ***Deposits and Investments*** - The Board of Trustees adopted a written investment policy statement as required by Chapter 12B.10B of the Code of Iowa and no instances of noncompliance were noted.